

CITY OF ALGONA, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

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CITY OF ALGONA, IOWA

OFFICIALS

Lynn Kueck	Mayor	December 2017
Chad Besch	Council Member	December 2015
Sara Curtis	Council Member	December 2015
Josh Aanonson	Council Member	December 2017
Harley Kohlhaas	Council Member	December 2017
Kim Weaver	Council Member	December 2017
Paige Hollinger	Council Member	December 2015
Curt Wiseman	City Administrator	Indefinite
Rexann McEnroe	Clerk	Indefinite
Paul Doster	Attorney	Indefinite



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Algona, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. Generally Accepted Auditing Standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinions.

Basis for Adverse Opinion on the City's Component Unit

The City has not included financial data from Algona Municipal Utilities, a component unit of the City of Algona by definition, in the City's financial statements. Accounting principles generally accepted in the United States of America require the financial data to be presented as a discretely presented component unit in the Cash Basis Statement of Activities and Net Position. The amount by which this departure would affect the overall cash balance, cash receipts and disbursements of the City as of and for the year ended June 30, 2015 has not been determined.

Basis for Qualified Opinion on the Aggregate Remaining Fund Information

The City has elected to omit all required disclosures related to the defined benefit police pension plan, described in Note 4 to the financial statements. The cash receipts and disbursements method of accounting requires that certain statistical data and liabilities related to the defined benefit pension plan be calculated and disclosed in the notes to the financial statements. This omission is related to the Police Pension Fund, part of the aggregate remaining fund information for the City of Algona.

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on the City’s Component Unit” paragraph, the financial statements referred to above do not present fairly the cash balance of Algona Municipal Utilities, a component unit of the City of Algona as of June 30, 2015, or the cash receipts and disbursements thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly in all material respects the aggregate remaining fund information of the City of Algona, as of and for the year ended June 30, 2015 in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities and each major fund of the City of Algona as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Algona adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Algona’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2014 (which are not presented herein). All of financial statements during those years were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In

our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of the City Contributions and the schedule of financial information on pages 5-11, 28-34, and pages 40-42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016 on our consideration of the City of Algona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Algona's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

February 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Algona, Iowa (the City) provides this Management's Discussion and Analysis of its primary government financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City of Algona's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 3%, or approximately \$205,000, from fiscal 2014 to fiscal 2015. The increase in receipts was the result of bond proceeds that were partially offset by the decrease in grant proceeds received in fiscal year 2014 for the airport improvement project.
- Disbursements in the City's governmental activities decreased approximately \$353,000 in fiscal 2015 from fiscal 2014. There were large decreases in public works disbursements and culture and recreation disbursements due to projects being completed in the prior fiscal year.
- The City's total cash basis net position increased approximately \$1,067,000 from June 30, 2014 to June 30, 2015. Of this amount, the assets of the governmental activities increased approximately \$881,000 and the assets of the business type activities increased by approximately \$186,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business-Type Activities include the sanitary sewer system, the storm sewer system, the ambulance service, and the housing program fund. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains four Enterprise Funds to provide separate information for the Sewer, Storm Sewer, Ambulance, and Housing Funds.

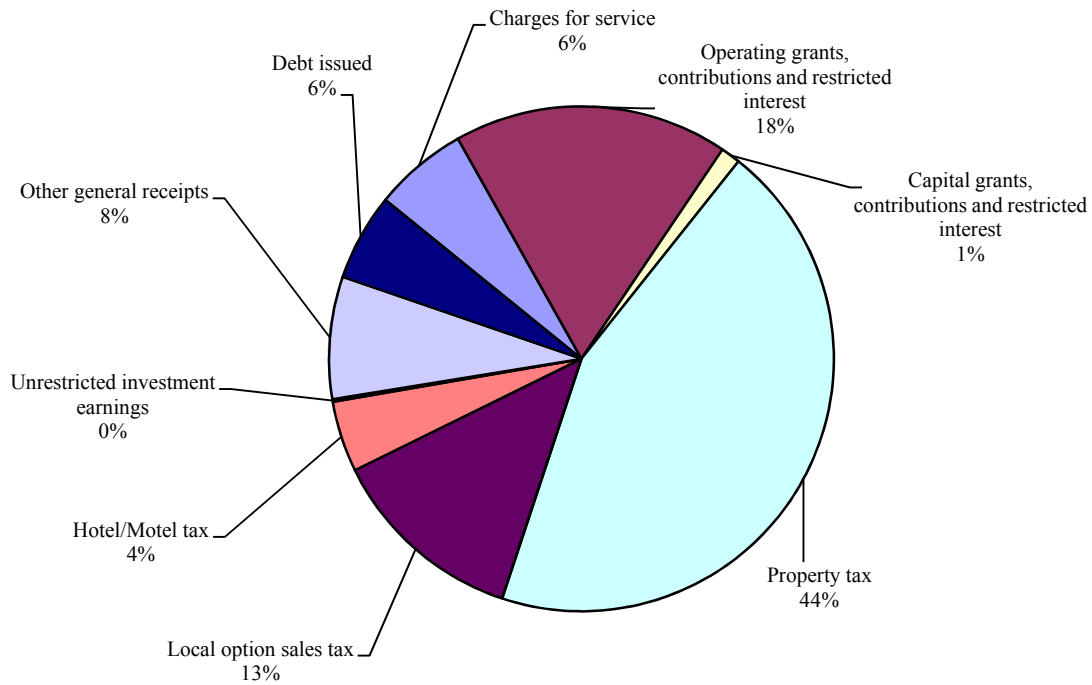
The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

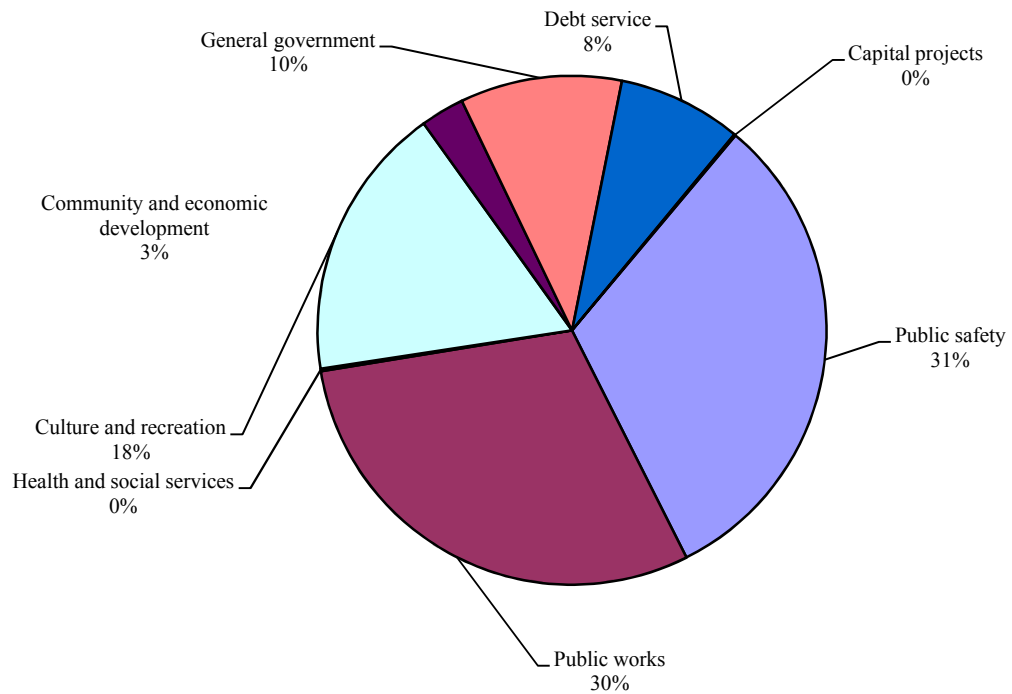
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$5.1 million to \$5.9 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 422	\$ 372
Operating grants, contributions and restricted interest	725	697
Capital grants, contributions and restricted interest	88	918
General receipts:		
Property tax	3,077	2,925
Tax increment financing	31	32
Local option sales tax	884	665
Hotel/motel tax	319	320
Grants and contributions not restricted to specific purposes	506	554
Unrestricted interest on investment	11	5
Bond proceeds	390	-
Other general receipts	548	308
Total receipts	<u>7,001</u>	<u>6,796</u>
Disbursements:		
Public safety	1,987	1,631
Public works	1,885	2,147
Health and social services	10	10
Culture and recreation	1,106	1,426
Community and economic development	175	226
General government	649	657
Debt service	497	491
Capital projects	6	80
Total disbursements	<u>6,315</u>	<u>6,668</u>
Change in cash basis net position before transfers	686	128
Transfers, net	<u>195</u>	<u>237</u>
Change in cash basis net position	881	365
Cash basis net position beginning of year	<u>5,065</u>	<u>4,700</u>
Cash basis net position end of year	<u>\$ 5,946</u>	<u>\$ 5,065</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased by 3%, or approximately \$205,000. The total cost of all programs and services decreased by approximately \$353,000 or 5%, with no new programs added this year. The City did, however, complete a number of large projects in fiscal year 2015 such as the parks trail project, the McGregor Street sanitary sewer repair, and the Sample Street project.

The cost of all governmental activities this year was approximately \$6.32 million compared to \$6.67 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 11, the amount taxpayers ultimately financed for these activities was only \$5.1 million because some of the cost was paid by those directly benefited from the programs (\$422,038) or by other governments and organizations that subsidized certain programs with grants, receipts, including intergovernmental aid and fees for service (\$812,174). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4.3 million in taxes (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business-Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,141	843
Storm Sewer	147	145
Ambulance	548	518
Housing	38	35
General receipts:		
Unrestricted interest on investments	4	2
Intergovernmental	36	154
Total receipts	<u>1,914</u>	<u>1,697</u>
Disbursements:		
Sewer	875	1,163
Storm Sewer	101	20
Ambulance	553	642
Housing	4	25
Total disbursements and transfers	<u>1,533</u>	<u>1,850</u>
Change in cash basis net position, before transfers	381	(153)
Transfers, net	<u>(195)</u>	<u>(237)</u>
Change in cash basis net position	186	(390)
Cash basis net position beginning of year	<u>989</u>	<u>1,379</u>
Cash basis net position end of year	<u>\$ 1,175</u>	<u>989</u>

Total business type activities receipts increased in fiscal year 2015 to approximately \$1.9 million from approximately \$1.7 million last year. The increase is primarily due to the substantial sewer rate increase noted during the year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Algona completed the year, its governmental funds reported a combined fund balance of \$5,945,501, an increase of \$880,433 from last year's total of \$5,065,068. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by approximately \$580,000 to \$3.3 million, primarily from bond proceeds being received for the purchase of a new firetruck.
- The Local Option Sales Tax Revenue Fund (LOST) cash balance increased from \$1,117,346 to \$1,502,395 during the fiscal year. The increase of \$385,049 was due to sales tax collections exceeding projections.
- The Road Use Tax Fund decreased its cash balance in 2015 by approximately \$146,000. The decrease was due to budgeted capital project and other capital equipment expenditures during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased by \$124,830 to \$421,782, due primarily to the increase in rates during the year.
- The Ambulance Fund had a decrease in fund balance of \$20,157, which included \$34,578 in capital expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 18, 2015 and resulted in an increase in operating disbursements in several budgeted areas, most significantly in public works and business type budget areas. The amendment also increased budgeted cash receipts from areas such as other city taxes, use of money and property and intergovernmental. Partially offsetting the budgeted increase in receipts was a large decrease in other financing sources. The City did not exceed budgeted amounts, as amended, for the fiscal year ended June 30, 2015.

EXCLUDED COMPONENT UNIT

As discussed in Note 1, the financial statements do not include the financial data for Algona Municipal Utilities, a legally separate entity which accounting standards generally accepted in the United States of America require to be reported as a discretely presented component unit. Algona Municipal Utilities utilizes a different basis of accounting than that of the City and a different fiscal year and therefore inclusion of their financial data is not incorporated in this report.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$3.6 million in bonds and other long-term debt outstanding, which is consistent with fiscal year ended 2014, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
General obligation bonds	\$ 2,092	\$ 2,047
Revenue notes	1,520	1,592
Total	<u>\$ 3,612</u>	<u>\$ 3,639</u>

Debt remained consistent as new general obligation debt was issued but was offset by the repayments of the city debts as scheduled.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,091,950 is significantly below its constitutional debt limit of \$16.2 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In completing the fiscal year 2015 budget the elected and appointed officials of Algona examined economic conditions to help determine estimated revenues and expenditures. The current economy in Algona has remained steady with no layoffs or shutdowns that have plagued other communities around the country.

Unemployment for Kossuth County decreased from one year ago. The current rate is 2.5% versus 2.9% in 2014. The county average is well below the state average, which is 3.4%. During the year revenues tied to the economy and remained steady. Local option sales tax receipts exceeded estimates. Additionally, current changes in Iowa Code on utility franchise fees have assured that these revenues will remain a consistent revenue stream for the City of Algona.

Budget projections for fiscal year 2015/16 have not yet been completed. We expect a decrease of revenue for FY 16/17 due to the multi-residential roll back despite the fact that taxable valuations have risen by approximately 2%. Road Use Tax receipts are expected to increase due to the increase of gas tax imposed by the State of Iowa. Capital projects for streets and roads will receive subsidies from the City's Local Option Sales Tax Fund.

It is expected that the property tax levy will remain steady for 2016/2017. However, the City is planning two major capital projects, to replace the current city hall and to remodel the existing library. The full effect on the levy is not yet known, but will increase the rate beyond its current level.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City of Algona's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rexann McEnroe, City Clerk, 112 West Call Street, Algona, Iowa 50511.

Basic Financial Statements

CITY OF ALGONA, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,986,271	-	138,710	-
Public works	1,884,949	-	578,143	84,539
Health and social services	10,125	-	-	-
Culture and recreation	1,106,174	422,038	7,682	3,100
Community and economic development	175,260	-	-	-
General government	649,016	-	-	-
Debt service	496,958	-	-	-
Capital projects	5,932	-	-	-
Total government activities	6,314,685	422,038	724,535	87,639
Business type activities:				
Sewer	874,835	1,141,060	-	33,695
Storm Sewer	100,724	147,288	-	-
Ambulance	553,033	547,246	2,432	-
Housing	3,943	38,189	-	-
Total business type activities	1,532,535	1,873,783	2,432	33,695
Total	\$ 7,847,220	2,295,821	726,967	121,334
General Receipts				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Hotel/motel and franchise tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash beginning of year				
Cash end of year				
Cash Basis Net Position				
Restricted				
Nonexpendable:				
Cemetery perpetual care				
Library endowment				
Expendable:				
Streets				
Capital Projects				
Debt service				
Other purposes				
Unrestricted				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(1,847,561)	-	(1,847,561)
(1,222,267)	-	(1,222,267)
(10,125)	-	(10,125)
(673,354)	-	(673,354)
(175,260)	-	(175,260)
(649,016)	-	(649,016)
(496,958)	-	(496,958)
(5,932)	-	(5,932)
(5,080,473)	-	(5,080,473)
-	299,920	299,920
-	46,564	46,564
-	(3,355)	(3,355)
-	34,246	34,246
-	377,375	377,375
(5,080,473)	377,375	(4,703,098)
2,708,768	-	2,708,768
30,526	-	30,526
368,634	-	368,634
884,279	-	884,279
319,583	-	319,583
505,524	-	505,524
10,553	3,567	14,120
390,000	-	390,000
530,329	-	530,329
17,771	-	17,771
194,939	(194,939)	-
5,960,906	(191,372)	5,769,534
880,433	186,003	1,066,436
5,065,068	988,922	6,053,990
\$ 5,945,501	1,174,925	7,120,426
\$ 55,800	-	55,800
140,000	-	140,000
591,679	-	591,679
132,778	-	132,778
82,882	-	82,882
1,756,814	-	1,756,814
3,185,548	1,174,925	4,360,473
\$ 5,945,501	1,174,925	7,120,426

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue		Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Local Option Sales Tax	
Receipts:				
Property tax	\$ 1,968,162	-	-	1,109,240
Tax increment financing	-	-	-	30,526
Other city tax	319,583	-	884,279	-
Licenses and permits	36,082	-	-	-
Use of money and property	118,598	-	3,039	4,269
Intergovernmental	683,557	578,143	-	55,998
Charges for service	422,038	-	-	-
Special assessments	36,966	-	-	-
Miscellaneous	341,928	-	-	-
	3,926,914	578,143	887,318	1,200,033
Disbursements:				
Public safety	1,955,391	-	-	30,880
Public works	1,145,996	724,387	-	14,566
Health and social services	10,125	-	-	-
Culture and recreation	1,106,174	-	-	-
Community and economic development	144,729	-	-	30,531
General government	649,016	-	-	-
Debt service	-	-	-	496,958
Capital projects	-	-	-	5,932
	5,011,431	724,387	-	578,867
Excess (deficiency) of receipts over (under) disbursements	(1,084,517)	(146,244)	887,318	621,166
Other financing sources (uses):				
Sale of Assets	17,771	-	-	-
Proceeds of refunding bonds	390,000	-	-	-
Operating transfers in	1,322,204	-	30,000	159,517
Operating transfers out	(65,777)	-	(532,269)	(718,736)
	1,664,198	-	(502,269)	(559,219)
Net change in cash balances	579,681	(146,244)	385,049	61,947
Balance beginning of year	2,695,735	737,923	1,117,346	514,064
Balance end of year	\$ 3,275,416	591,679	1,502,395	576,011
Cash basis fund balance				
Nonspendable	\$ -	-	-	195,800
Restricted for:				
Debt service	-	-	-	82,882
Streets	-	591,679	-	-
Capital projects	-	-	-	132,778
Other purposes	89,868	-	1,502,395	164,551
Committed	556,255	-	-	-
Assigned	96,588	-	-	-
Unassigned	2,532,705	-	-	-
Total cash basis fund balances	\$ 3,275,416	591,679	1,502,395	576,011

See notes to financial statements.

CITY OF ALGONA, IOWA

Exhibit C

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Sewer	Ambulance	Other Nonmajor Proprietary Funds	Total
Receipts				
Charges for service	\$ 1,141,060	547,246	185,477	1,873,783
Disbursements				
Total operating disbursements	622,615	518,455	84,192	1,225,262
	622,615	518,455	84,192	1,225,262
Excess (deficiency) of operating receipts over (under) operating disbursements	518,445	28,791	101,285	648,521
Non-operating receipts (disbursements):				
Intergovernmental	33,695	2,432	-	36,127
Interest on investments	1,415	1,632	520	3,567
Capital expenditures	(252,220)	(34,578)	(20,475)	(307,273)
Net non-operating receipts (disbursements)	(217,110)	(30,514)	(19,955)	(267,579)
Excess of receipts over disbursements	301,335	(1,723)	81,330	380,942
Other financing sources (uses):				
Operating transfers in	18,434	-	-	18,434
Operating transfers out	(194,939)	(18,434)	-	(213,373)
	(176,505)	(18,434)	-	(194,939)
Net change in cash balances	124,830	(20,157)	81,330	186,003
Balance beginning of year	296,952	459,838	232,132	988,922
Balance end of year	\$ 421,782	439,681	313,462	1,174,925
Cash Basis Fund Balances				
Unrestricted	\$ 421,782	439,681	313,462	1,174,925
	\$ 421,782	439,681	313,462	1,174,925

See notes to financial statements.

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Algona is a political subdivision of the State of Iowa located in Kossuth County. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer, storm sewer, and ambulance services to its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Algona has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Excluded Component Unit

The financial statements do not include financial data for Algona Municipal Utilities, a legally separate entity which accounting principles generally accepted in the United States of America require to be reported as a discretely presented component unit.

Algona Municipal Utilities, which was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Utilities is governed by a five-member board appointed by the Mayor and approved by the City Council. Complete financial statements, for the year ended December 31, 2014, can be obtained from the Municipal Utilities administration office, P.O. Box 10, 104 West Call Street, Algona, IA 50511.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Kossuth County Emergency Management Commission, Kossuth County E911 Board, and the North Iowa Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

This Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax received from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax (LOST) Fund is utilized to account for the local option sales tax receipts and disbursements.

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The City reports the following major proprietary funds:

The Ambulance Fund accounts for the operation and maintenance of the City's ambulance system.

The Sewer Fund accounts for operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with the accounting principles generally accepted in the United States.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Committed – Amounts restricted to specific purposes when constraints placed on the use of resources are internally imposed in formal action by the City Council.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

F. Subsequent Events

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through February 10, 2016, the date the financial statements were issued.

(2) Cash and Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at amortized cost of \$395,179, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated. More than 5% of the City's total cash and investments at June 30, 2015 were invested with IPAIT.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for Algona's general obligation bonds and revenue bonds are as follows:

Year Ending June 30.	General Obligation Notes		Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	445,487	25,924	74,000	49,400	519,487	75,324
2017	455,487	22,098	76,000	46,995	531,487	69,093
2018	460,487	17,312	79,000	44,525	539,487	61,837
2019	460,490	11,662	81,000	41,958	541,490	53,620
2020	135,000	5,062	84,000	39,325	219,000	44,387
2021-2025	135,000	2,700	463,000	153,823	598,000	156,523
2026-2030	-	-	544,000	73,570	544,000	73,570
2031	-	-	119,000	3,868	119,000	3,868
	<u>\$ 2,091,951</u>	<u>\$ 84,758</u>	<u>\$ 1,520,000</u>	<u>\$ 453,464</u>	<u>\$ 3,611,951</u>	<u>\$ 538,222</u>

Revenue Notes

The City has pledged future sewer customer receipts net of specific operating disbursements to repay \$2,151,000 in revenue bonds issued in September 2010. Proceeds from the notes provided financing for the improvements to the wastewater treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2031. The total principal and interest remaining to be paid on the notes is \$1,973,464. For the current year, principal and interest paid and total customer net receipts were \$119,760 and \$518,445, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) The notes require the system generate net revenues sufficient to 110% of the current year principal and interest installment.

A summary of changes in long-term debt for the year ended June 30, 2015 is as follows:

	General Obligation Bonds	Revenue Bonds	Total
Balance, beginning of year	\$ 2,047,438	1,592,000	3,639,438
Increases	390,000	-	390,000
Decreases	345,487	72,000	417,487
Balance, end of year	<u>\$ 2,091,951</u>	<u>1,520,000</u>	<u>3,611,951</u>

Interest rates on the general obligation bonds range from 0.00 to 2.00%. Interest rates on the revenue bonds were 3.00%.

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(4) Pension and Retirement Benefits

Plan Description- IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-7117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan document for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but no more than 30 years of service
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. For Protection Occupant members, the City contributed 10.14 percent and members contributed 6.76 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$185,317.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$559,817 for its proportionate share of the net pension liability. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0141157 percent, which was a decrease of 0.0043554 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$68,936, \$39,725 and \$450,111 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability/(asset)	\$ 1,535,972	\$ 559,817	\$ (263,671)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Prior to March 1, 1967, the City maintained a pension plan for police personnel. The plan is financed by property taxes levied by the City. The plan covers two retired individuals and has been closed to new participants since March 1, 1967. For the year ended June 30, 2015, the City provided \$15,152 to the beneficiaries under this plan. There has been no actuarial study to determine net pension liability under this plan and therefore the opinion on these financial statements has been qualified.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 42 active members and 1 inactive member in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$400 for single coverage and approximately \$1,200 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$379,804 and plan members eligible for benefits contributed approximately \$59,134 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated upon retirement or death. These accumulations are not recognized as expenditures by the City until they are used or paid.

Certain unused sick leave, while not payable to a City employee upon retirement, may be credited to a "benefit account". Amounts credited to the "benefit account" are based on an employee's pay rate, their accumulated sick leave hours, and their years of service. Funds deposited to these accounts may be used by a former employee for certain health care related expenses.

CITY OF ALGONA, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The City's approximate liability for earned vacation and unused accumulated sick leave at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 91,772
Sick Leave	388,106
Total	<u>\$ 479,878</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2015 is as follows:

Transfer In	Transfer From	Amount
General	Local Option Sales Tax	\$ 532,269
	Trust and Agency-Employee Benefits	718,736
	Enterprise-Sewer	71,199
		<u>1,322,204</u>
LOST	General	<u>30,000</u>
		30,000
Debt Service	General	10,488
	Enterprise-Sewer	<u>123,740</u>
		134,228
Capital Projects	General	<u>25,289</u>
		25,289
Enterprise-Sewer	Ambulance	<u>18,434</u>
		18,434
		<u>\$ 1,530,155</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability,

CITY OF ALGONA, IOWA
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June 30, 2015

property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 was \$104,844.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

CITY OF ALGONA, IOWA
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June 30, 2015

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The airport manager carries coverage for airport manager liability and proof of this coverage is provided to the City. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Algona. Property taxes become liens on property as of July 1, 2014 and are payable in September 2014 and March 2015 of the fiscal year. The valuation for the taxes were based on January 1, 2013 assessed property valuations, and was based on a certified budget from March of 2014.

(10) Committed and Assigned Fund Balance

The general fund included restricted funds of \$89,868, committed funds of \$556,255 and assigned funds of \$96,588 at June 30, 2015. The detail of these amounts is as follows:

<u>Restricted</u>	<u>Amount</u>
Economic development	\$ 46,652
Fire	34,857
Cemetery	8,359
Balance at June 30, 2015	<u>\$ 89,868</u>
<hr/>	
<u>Committed</u>	<u>Amount</u>
TV Grant	\$ 129,018
Revolving Loan Fund	419,374
Sick Leave Conversion	7,863
Balance at June 30, 2015	<u>\$ 556,255</u>
<hr/>	
<u>Assigned</u>	<u>Amount</u>
Drug Abuse Education	\$ 20,379
Self Insurance	41,512
Airport - FAA	10,148
Aquatic Center	24,549
Balance at June 30, 2015	<u>\$ 96,588</u>

(11) Contracts/Commitments

In 2012, the City agreed to contribute \$30,000 to the Motor Sports Museum over a period of five years. The amount remaining on this commitment is \$6,000 at June 30, 2015.

CITY OF ALGONA, IOWA
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June 30, 2015

(12) Operating Leases

The City leases a copy machine under an operating lease agreement signed in October 2014 calling for 63 monthly payments of \$232. Future minimum lease payments due on this operating lease is as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 2,784
2017	2,784
2018	2,784
2019	2,784
2020	1,624
Total	<u>\$ 12,760</u>

Other Information

CITY OF ALGONA, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

OTHER INFORMATION
YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 3,077,402	-	3,077,402
Tax increment financing	30,526	-	30,526
Other city taxes	1,203,862	-	1,203,862
Licenses and permits	36,082	-	36,082
Use of money and property	125,906	3,567	129,473
Intergovernmental	1,317,698	36,127	1,353,825
Charges for service	422,038	1,873,783	2,295,821
Special assessments	36,966	-	36,966
Miscellaneous	341,928	-	341,928
	<u>6,592,408</u>	<u>1,913,477</u>	<u>8,505,885</u>
Disbursements:			
Program			
Public safety	1,986,271	-	1,986,271
Public works	1,884,949	-	1,884,949
Health and social services	10,125	-	10,125
Culture and recreation	1,106,174	-	1,106,174
Community and economic development	175,260	-	175,260
General government	649,016	-	649,016
Debt service	496,958	-	496,958
Capital projects	5,932	-	5,932
Business type activities	-	1,532,535	1,532,535
	<u>6,314,685</u>	<u>1,532,535</u>	<u>7,847,220</u>
Excess (deficiency) of receipts over disbursements	277,723	380,942	658,665
Other financing sources, net	602,710	(194,939)	407,771
Excess of receipts and other financing sources over (under) disbursements and other financing uses	880,433	186,003	1,066,436
Balance beginning of year	5,065,068	988,922	6,053,990
Balance end of year	<u>\$ 5,945,501</u>	<u>1,174,925</u>	<u>7,120,426</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
2,971,832	2,971,832	105,570
30,531	30,531	(5)
828,727	1,228,727	(24,865)
27,630	27,630	8,452
88,738	288,280	(158,807)
1,623,029	1,787,056	(433,231)
1,724,032	1,839,537	456,284
36,819	36,819	147
159,100	285,259	56,669
7,490,438	8,495,671	10,214

2,441,209	2,199,719	213,448
2,237,064	2,456,558	571,609
9,840	10,129	4
1,296,546	1,406,043	299,869
193,506	206,896	31,636
661,994	679,049	30,033
518,837	521,300	24,342
-	5,932	-
1,423,796	1,555,032	22,497
8,782,792	9,040,658	1,193,438

(1,292,354)	(544,987)	1,203,652
940,000	390,000	17,771

(352,354)	(154,987)	1,221,423
5,145,021	6,053,990	-
4,792,667	5,899,003	1,221,423

CITY OF ALGONA, IOWA

Notes to Other Information- Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund, each major Special Revenue Fund and each major Capital Project Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased disbursements by \$257,866. The budget amendment is reflected in the final budgeted amounts.

The City did not exceed the budget during the fiscal year ended June 30, 2015.

CITY OF ALGONA, IOWA
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.014116%
City's proportionate share of the net pension liability	559,817
City's covered-employee payroll	1,856,454
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.16%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30

See accompanying independent auditors report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF ALGONA, IOWA

Schedule of City Contributions

Iowa Public Employees' Retirement System Last 10 Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 185,317	\$ 173,891	\$ 167,619	\$ 96,138
Contributions in relation to the statutorily required contribution	<u>185,317</u>	<u>173,891</u>	<u>167,619</u>	<u>96,138</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	1,983,706	1,857,108	1,811,778	1,767,906
Contributions as a percentage of covered-employee payroll	9.34%	9.36%	9.25%	5.44%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 98,621	\$ 94,784	\$ 87,828	\$ 78,741	\$ 100,555	\$ 92,295
<u>98,621</u>	<u>94,784</u>	<u>87,828</u>	<u>78,741</u>	<u>100,555</u>	<u>92,295</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1,790,623	1,658,726	1,560,621	1,529,679	1,477,536	1,351,102
5.51%	5.71%	5.63%	5.15%	6.81%	6.83%

CITY OF ALGONA, IOWA

Notes to Other Information- Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

CITY OF ALGONA, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue				
	Employee Benefits	TIF	Library	Grow Algona Trees	Grants
Receipts:					
Property tax	\$ 719,231	-	-	-	-
Tax increment financing	-	30,526	-	-	-
Use of money and property	-	40	1,061	1	-
Intergovernmental	-	-	-	-	55,998
	719,231	30,566	1,061	1	55,998
Disbursements:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	14,566
Community and economic development	-	30,531	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
	-	30,531	-	-	14,566
Excess (deficiency) of receipts over (under) disbursements	719,231	35	1,061	1	41,432
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(718,736)	-	-	-	-
	(718,736)	-	-	-	-
Net change in cash balance	495	35	1,061	1	41,432
Balance beginning of year	-	4,008	52,747	510	(7,884)
Balance end of year	\$ 495	4,043	53,808	511	33,548
Cash Basis Fund Balance					
Nonspendable	\$ -	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Other purposes	495	4,043	53,808	511	33,548
Unassigned	-	-	-	-	-
	\$ 495	4,043	53,808	511	33,548

See accompanying independent auditor's report.

Special Revenue			Permanent		
Police Pension	Capital Projects	Debt Service	Cemetery	Library	Total
21,375	-	368,634	-	-	1,109,240
-	-	-	-	-	30,526
203	-	514	2,450	-	4,269
-	-	-	-	-	55,998
21,578	-	369,148	2,450	-	1,200,033
30,880	-	-	-	-	30,880
-	-	-	-	-	14,566
-	-	-	-	-	30,531
-	-	496,958	-	-	496,958
-	5,932	-	-	-	5,932
30,880	5,932	496,958	-	-	578,867
(9,302)	(5,932)	(127,810)	2,450	-	621,166
-	25,289	134,228	-	-	159,517
-	-	-	-	-	(718,736)
-	25,289	134,228	-	-	(559,219)
(9,302)	19,357	6,418	2,450	-	61,947
81,448	113,421	76,464	53,350	140,000	514,064
72,146	132,778	82,882	55,800	140,000	576,011
-	-	-	55,800	140,000	195,800
-	-	82,882	-	-	82,882
-	132,778	-	-	-	132,778
72,146	-	-	-	-	164,551
-	-	-	-	-	-
72,146	132,778	82,882	55,800	140,000	576,011

CITY OF ALGONA, IOWA

Schedule 2

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Storm Sewer	Housing	Total
Receipts:			
Charges for service	147,288	38,189	185,477
	<u>147,288</u>	<u>38,189</u>	<u>185,477</u>
Disbursements:			
Operating	80,249	3,943	84,192
Total operating disbursements	<u>80,249</u>	<u>3,943</u>	<u>84,192</u>
Excess of receipts over disbursements	67,039	34,246	101,285
	<u>67,039</u>	<u>34,246</u>	<u>101,285</u>
Non-operating receipts (disbursements)			
Interest on investments	97	423	520
Capital expenditures	(20,475)	-	(20,475)
	<u>(20,378)</u>	<u>423</u>	<u>(19,955)</u>
Excess of receipts over disbursements	46,661	34,669	81,330
Other financing sources (uses):			
Operating transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	46,661	34,669	81,330
Balance beginning of year	54,748	177,384	232,132
Balance end of year	<u>101,409</u>	<u>212,053</u>	<u>313,462</u>
Cash Basis Fund Balance			
Unrestricted	101,409	212,053	313,462
	<u>101,409</u>	<u>212,053</u>	<u>313,462</u>

See accompanying independent auditor's report.

CITY OF ALGONA, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2015

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds/notes:									
Capital Loan Notes 2012	May 27, 2012	0.40 - 2.00%	2,610,000	1,995,000	-	335,000	1,660,000	24,968	-
LED Street Lighting	June 30, 2012	0.00%	62,925	52,438	-	10,487	41,951	-	-
Capital Loan Notes 2014	October 22, 2014	0.45 - 1.35%	390,000	-	390,000	-	390,000	2,213	-
				<u>\$ 2,047,438</u>	<u>390,000</u>	<u>345,487</u>	<u>2,091,951</u>	<u>27,181</u>	<u>-</u>
Revenue bonds:									
Sewer revenue	October 13, 2010	3.00%	\$ 2,151,000	\$ 1,592,000	-	72,000	1,520,000	47,760	-
				<u>\$ 1,592,000</u>	<u>-</u>	<u>72,000</u>	<u>1,520,000</u>	<u>47,760</u>	<u>-</u>

See accompanying independent auditor's report.

CITY OF ALGONA, IOWA

Schedule 4

BOND AND NOTE MATURITIES

JUNE 30, 2015

Year Ending June 30,	GO Capital Loan		LED AMU Loan		GO Capital Loan		Total GO Notes
	Issued May 27, 2012		Issued June 30, 2012		Issued October 22, 2014		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	1.00	\$ 340,000	0.00	\$ 10,487	0.05	\$ 95,000	\$ 445,487
2017	1.15	350,000	0.00	10,487	0.80	95,000	455,487
2018	1.30	350,000	0.00	10,487	1.10	100,000	460,487
2019	1.50	350,000	0.00	10,490	1.35	100,000	460,490
2020	1.75	135,000	0.00	-		-	135,000
2021	2.00	135,000	0.00	-		-	135,000
		<u>\$ 1,660,000</u>		<u>\$ 41,951</u>		<u>\$ 390,000</u>	<u>\$ 2,091,951</u>

Year Ending June 30,	Sewer Revenue Note	
	Issued Oct 13, 2010	
	Interest Rates	Amount
2016	3.00	\$ 74,000
2017	3.00	76,000
2018	3.00	79,000
2019	3.00	81,000
2020	3.00	84,000
2021	3.00	87,000
2022	3.00	90,000
2023	3.00	92,000
2024	3.00	95,000
2025	3.00	99,000
2026	3.00	102,000
2027	3.00	105,000
2028	3.00	109,000
2029	3.00	112,000
2030	3.00	116,000
2031	3.00	119,000
		<u>\$ 1,520,000</u>

See accompanying independent auditor's report.

CITY OF ALGONA, IOWA

Schedule 5

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE TEN YEARS ENDED JUNE 30:

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts										
Property tax	\$ 3,077,402	\$ 2,925,027	2,908,697	2,829,126	2,811,560	2,539,420	2,427,831	2,348,778	2,345,875	2,333,853
Tax increment financing collections	30,526	32,418	43,960	70,701	57,154	97,021	165,357	76,675	78,557	56,343
Other city tax	1,203,862	984,505	942,239	799,088	888,095	796,892	831,293	845,597	802,527	710,103
Licenses and permits	36,082	38,575	38,544	33,571	27,437	32,830	23,795	37,173	35,972	29,319
Use of money and property	125,906	93,788	184,343	134,016	122,388	144,682	175,501	255,610	246,927	189,380
Intergovernmental	1,317,698	2,169,284	1,403,713	1,420,647	1,574,372	1,454,755	1,555,051	1,525,121	1,617,236	1,694,951
Charges for service	422,038	371,772	371,428	480,143	325,814	285,298	363,649	341,674	292,661	309,657
Special assessments	36,966	51,949	76,011	16,477	8,872	692	757	-	867	1,304
Miscellaneous	341,928	126,009	281,006	217,474	412,091	150,740	183,547	205,401	238,570	211,847
	<u>\$ 6,592,408</u>	<u>\$ 6,793,327</u>	<u>6,249,941</u>	<u>6,001,243</u>	<u>6,227,783</u>	<u>5,502,330</u>	<u>5,726,781</u>	<u>5,636,029</u>	<u>5,659,192</u>	<u>5,536,757</u>
Disbursements										
Operating:										
Public safety	\$ 1,986,271	\$ 1,630,927	1,719,808	1,435,578	1,476,767	1,278,908	1,296,767	1,202,407	1,193,898	1,117,298
Public works	1,884,949	2,147,358	1,764,657	1,909,509	1,967,196	1,390,527	1,488,279	1,158,560	2,115,829	1,350,070
Health and social services	10,125	9,837	9,937	9,837	9,836	9,835	9,922	8,513	8,536	8,715
Culture and recreation	1,106,174	1,425,495	1,088,260	1,246,870	1,229,391	2,284,343	1,237,609	1,161,790	1,101,488	1,238,448
Community and economic development	175,260	226,421	271,367	122,506	204,887	247,162	377,632	773,642	226,215	809,924
General government	649,016	657,269	661,605	698,826	665,255	784,199	680,519	564,402	501,743	471,960
Debt service	496,958	490,617	520,892	286,575	429,332	405,343	406,113	401,195	395,745	425,935
Capital projects	5,932	79,693	642,656	74,199	245,709	177,795	-	10,443	195,709	507,361
	<u>\$ 6,314,685</u>	<u>\$ 6,667,617</u>	<u>6,679,182</u>	<u>5,783,900</u>	<u>6,228,373</u>	<u>6,578,112</u>	<u>5,496,841</u>	<u>5,280,952</u>	<u>5,739,163</u>	<u>5,929,711</u>

See accompanying independent auditor's report.

CITY OF ALGONA, IOWA

SCHEDULE OF FINANCIAL INFORMATION
(UNAUDITED)
June 30, 2015

January 1, 2014 Valuations (taxes payable July 1, 2015 to June 30, 2016)		
	100% Actual Value	Taxable Value (with Rollback)
Residential	\$ 220,975,280	\$ 123,157,088
Commercial	77,196,936	69,477,267
Industrial	26,620,543	23,958,494
Railroad	1,539,215	1,385,293
Utilities	<u>1,685,645</u>	<u>1,685,645</u>
Gross valuation	328,017,619	219,663,787
Less military exemption	<u>(719,231)</u>	<u>(719,231)</u>
Net valuation	<u>\$ 327,298,388</u>	<u>\$ 218,944,556</u>
TIF increment (used to compute debt Service levies and constitutional debt limit)	619,848	619,848
Taxed separately		
Agricultural land	1,482,880	698,877
Agricultural buildings	-	-
Gas and electricity utility property	3,373,947	2,109,104

2014 Gross Taxable Valuation by Class of Property		
		Percent Total
Residential	\$ 123,157,088	55.53%
Commercial, Industrial, Utility*	97,230,510	43.84%
Railroad	<u>1,385,293</u>	<u>.63%</u>
Total gross taxable valuation	<u>\$ 221,772,891</u>	<u>100.00%</u>

* Includes gas and electric utility property, but excludes TIF increment, agricultural land, and agricultural buildings.

CITY OF ALGONA, IOWA

SCHEDULE OF FINANCIAL INFORMATION
(UNAUDITED)
June 30, 2015

TREND OF VALUATIONS

Assessment Year	Payable Fiscal Year	100% Actual Valuation	Taxable Valuation (with Rollback)	TIF Increment
2001	2002-03	207,007,532	138,858,537	-0-
2002	2003-04	211,020,084	140,989,805	961,789
2003	2004-05	233,517,198	147,382,559	1,637,765
2004	2005-06	239,356,724	151,498,721	1,742,646
2005	2006-07	242,328,824	149,283,934	2,417,969
2006	2007-08	246,806,639	152,910,185	2,435,229
2007	2008-09	269,385,874	160,425,731	5,308,825
2008	2009-10	276,104,066	170,491,449	2,976,528
2009	2010-11	304,558,329	191,959,012	1,735,178
2010	2011-12	313,169,791	203,067,551	2,217,349
2011	2012-13	304,528,219	204,084,859	1,433,762
2012	2013-14	307,975,235	210,931,121	1,058,835
2013	2014-15	320,171,366	216,092,798	1,052,027
2014	2015-16	327,298,388	218,944,556	619,848

Iowa cities certify operating levies against taxable value excluding TIF increment, and debt service levies are certified against taxable value including TIF increment.

LARGER TAXPAYERS

Taxpayer	Type of Property/Business	01/01/14 Taxable Valuation
Snap-On Tools	Industrial & Agricultural	7,145,656
Pioneer Hi-Bred Corn Co.	Industrial	6,178,235
Hjelmeland Family, LP	Commercial	4,256,777
Druggists Mutual Insurance Co.	Commercial	3,779,800
Sears, Roebuck and Co.	Commercial	2,737,064
Precision, Inc	Industrial & Commercial	2,451,858
Crimmins Investment, LLC	Commercial	2,405,573
Hormel & Co.	Industrial & Commercial	2,217,719
Flint Hills Resources, LP	Industrial	2,215,855
Evang Luth Good Samaritan Society	Residential	2,173,979

CITY OF ALGONA, IOWA

SCHEDULE OF FINANCIAL INFORMATION
(UNAUDITED)
June 30, 2015

DIRECT DEBT

General Obligation Debt

Date of Issue	Original Amount	Purpose	Principal Final Maturity	Outstanding as of 06/30/15
May 2012	2,610,000	Street Improvement/Refunding	Jun 2021	1,660,000
June 2012	62,925	LED Street Lighting	Jun 2019	41,951
October 2014	390,000	Firetruck	October 2019	390,000
Subtotal				<u>2,091,951</u>

Revenue Debt

The City has revenue debt outstanding payable solely from sewer revenues. This debt is not subject to the City's debt limit. The balance outstanding is as follows:

Date of Issue	Original Amount	Purpose	Security	Final Maturity	Principal Outstanding as of 06/30/15
Oct 2010	2,151,000	Sewer bond	Sewer revenue	Oct 2030	1,520,000

INDIRECT GENERAL OBLIGATION DEBT

	01/01/14 Taxable Valuation	Percent in City	General Obligation Debt	City's Proportionate Share
Kossuth County	1,263,892,941	15.56%	-	-
Algona Community School District	570,215,431	36.20%	-	-
Iowa Lakes Community College	1,179,207,917	3.88%	-	-
City share of total overlapping debt				<u>-</u>

DEBT RATIOS

	General Obligation Debt	Debt/Actual Market Value (\$218,944,556)	Debt / 5,513 Population
General Obligation Debt	2,091,951	.955%	379.46
City's share of overlapping debt	-	-0-%	-0-

TAX RATES

	FY 10-11 /\$1,000	FY 11-12 /\$1,000	FY 12-13 /\$1,000	FY 13-14 /\$1,000	FY 14-15 /\$1,000	FY 15-16 /\$1,000
Kossuth County	5.82217	5.73605	5.26795	5.29693	5.29693	5.29062
Agricultural Extension	.07224	.06956	.06583	.06294	.06110	.05934
Hospital	.33932	.33932	.33932	.33932	.33932	.33932
County Assessor	.36632	.48113	.32189	.32189	.32189	.31486
State of Iowa	.00340	.00320	.00330	.00330	.00330	.00330
Algona Comm School District	12.38999	12.26228	11.76000	10.86363	10.84521	10.67942
Area II Community College	.78134	.76886	.76795	1.05055	.65289	.99066
City of Algona	14.44359	14.03743	14.39940	13.78325	13.78909	14.42816
Total Tax Rate City Resident	<u>34.70642</u>	<u>34.21837</u>	<u>33.69783</u>	<u>32.92564</u>	<u>31.72181</u>	<u>32.10568</u>



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Algona, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2016. Our report expressed qualified, adverse and modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Algona's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Algona's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Algona's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in 2015-001 in the Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items 2015-002 through 2015-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Algona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Algona's Responses to Findings

The City of Algona's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Algona's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Algona during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

February 10, 2016

CITY OF ALGONA, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

2015-001 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Condition- We noted that the cash receipt function and the recording of the cash receipts is on occasion handled by the same person. There is a lack of segregation of duties with respect to cash receipts and disbursements.

Cause – The City of Algona is not a large municipality; therefore their staff includes a small number of office employees.

Effect – The lack of a proper segregation of duties is a material weakness that may result in a material misstatement of the financial statements, and provides greater opportunity for fraudulent activity to go undetected.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost-effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

2015-002 Condition – The City's management does not have a formal process in place for determining compliance with the sewer revenue bond resolution provisions.

Criteria – An internal control system that is functioning properly should detect any non-compliance in a timely manner.

Cause – Regular month-end practices do not include calculating the different provisions outlined in the bond agreement resolution.

Effect – A significant deficiency in the City's control system

Recommendation – Procedures should be developed to ensure that all provisions are calculated and monitored on a monthly basis.

CITY OF ALGONA, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Client Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

2015-003

Reconciliation of Bank Accounts – The City did not perform and complete and accurate bank account reconciliation at June 30, 2015.

Criteria - An internal control system that is functioning properly should detect any non-compliance in a timely manner.

Cause – The Deputy City Clerk performs a monthly bank reconciliation, however, it did not reconcile to the actual cash balances at year-end.

Effect – A material weakness in the City’s internal control.

Recommendation –We recommend the City begin performing monthly bank reconciliations that includes a step to agree to the actual cash balances per the bank statements.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

CITY OF ALGONA, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Certified Budget – Disbursements did not exceed the budget for the year ending June 30, 2015.
- II-B-15 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-15 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.
- II-D-15 Business Transactions – No business transactions between the City and its officials or employees were noted.
- II-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-15 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.
- II-I-15 Unclaimed Property- Unclaimed property was not reported to the State Treasurer.

Criteria - Chapter 556.1(12) of the Code of Iowa requires unclaimed property be reported to the State Treasurer annually before November 1.

Cause – The City has never reported unclaimed property.

Effect – The city did not comply with this section of the Code of Iowa.

Recommendation- The City should develop a process to report all unclaimed property to the State Treasurer annually before the due date of November 1.

Response- We will develop a process as recommended.

Conclusion- Response accepted.